

**UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF GEORGIA
ATLANTA DIVISION**

FEDERAL TRADE COMMISSION,

Plaintiff,

v.

**NATIONAL UROLOGICAL GROUP,
Inc., et al.,**

Defendants.

CIVIL ACTION NO.

1:04-CV-3294-CAP

**DECLARATION OF
JAMES F. HART, MBA, CPA**

Comes now, James F. Hart, and pursuant to Title 28, United States Code, Section 1746, I certify under penalty of perjury that the contents of the following Declaration are true to the best of my knowledge, information and belief.

I. Introduction.

1. I am the founder and Managing Member of Lightfoot Group, LLC (“Lightfoot”). Lightfoot is an Atlanta-based financial consulting firm that provides forensic accounting and valuation services to businesses, advisors to businesses, lenders and investors. Lightfoot and I provide economic and specialty financial consulting services to a wide range of clients in situations involving corporate investigations, dispute resolution, business valuation, bankruptcy/insolvency, financial restructuring, personal and commercial damages, litigation, and court appointed matters.

2. I have a BBA in accounting from William and Mary and an MBA from Kennesaw State University. I hold the following additional professional credentials: Certified in Financial Forensics (CFF) by the American Society of Certified Public Accountants (AICPA), Accredited in Valuation (ABV) by the AICPA, Certified Fraud Examiner (CFE) by the Association of Certified Fraud Examiners, and Certified Insolvency and Restructuring Advisor (CIRA) by the Association of Insolvency & Restructuring Advisors.

3. I have been actively licensed as a CPA for over 30 years (previously in Virginia and now in Georgia). Prior to forming Lightfoot I provided audit and accounting services to the international accounting firm Peat, Marwick & Mitchell, now known as KPMG. Following my tenure at Peat Marwick, I held controller and CFO positions in mortgage banking and insurance services firms. Later, I served as a Director of Litigation Services at the financial and litigation consulting firm of Phillips Hitchner Group, Inc. in Atlanta and as Vice President at the litigation and valuation firm of Taylor Consulting Group, Inc. also in Atlanta.

4. I have taught business valuation, commercial damages, forensic services and bankruptcy courses at national and local conferences sponsored by the American Institute of Certified Public Accountants (AICPA), the Association of Insolvency and Restructuring Advisors (AIRA), the Georgia Society of CPAs. I co-authored a chapter on Bankruptcy & Insolvency in Wiley's *Family Law Services Handbook* and was a co-author of AICPA Consulting Services Practice Aid 02-1, *Business Valuation in Bankruptcy*. I am also a frequent speaker on business valuation, forensic services and bankruptcy.

5. I have served as a court appointed receiver, special master and auditor for state and federal courts in Georgia and for state courts in North and South Carolina. I have served as the bankruptcy court approved financial consultant and accountant for numerous Chapter 7 and

Chapter 11 cases. I have served as the Chair of the Georgia Society of CPAs Forensic and Valuation Services Section and its predecessor, the Litigation Advisory Services Section.

6. I have extensive experience in the analysis of financial records and in conducting discovery to obtain documentation needed to support the foundations and assumptions used in the preparation and rebuttal of expert reports of economic damages. During the course of my professional career I have been responsible for designing, calculating and testifying regarding economic damages models in a wide variety of contested matters, and I have been retained to conduct analyses, prepare expert reports and rebuttal reports, and provide expert testimony at deposition and at trial in matters involving economic damages in commercial disputes and personal injury matters.

7. I have been retained by Hi-Tech Pharmaceuticals, Inc. (“Hi-Tech”) to review the August 8, 2013 Order of Judge Charles A. Pannell (the “Order”), and to address the issue of the appropriate measure of compensatory sanctions discussed therein.

8. I have visited the offices of Hi-Tech on several occasions for the purpose of interviewing Jared Wheat, President of Hi-Tech, and others of his staff and to gather the financial and supporting documentation upon which this Declaration is based.

II. Materials Reviewed.

9. I have reviewed various sets of documents and electronic accounting records which provide the data, support and foundation for the analysis presented here. The following are the sets of documents and electronic records reviewed, and the information provided by each:

- (a) The Order, which provides the different alternatives requested by the Court for the analysis and calculation of consumer compensatory damages.

- (b) Financial records and tax returns of Hi-Tech, including, but not limited to: corporate tax returns for the years 2009 to 2012 (from Claude H. Estes + Company, P.C., CPAs), monthly profit and loss statements of Hi-Tech for the period 2009 through June 30, 2013 (from Claude H. Estes + Company, P.C., CPAs), general ledgers for Hi-Tech for the period 2009 through June 30, 2013 (from Claude H. Estes + Company, P.C., CPAs), and monthly bank statements for the period 2009 to June 2013.
- (c) Electronic records include customer invoices (units and dollars sold) from Peachtree accounting software's Invoice Registers (viewed in Sage Peachtree Quantum 2012 version) for the period 2009 through October 14, 2013 and viewed in Microsoft Access database for 2002-2013).
- (d) Certain customer contracts and agreements and broker agreements related to Food, Drug & Mass merchandise accounts and broker 1099's and check copies of payments to brokers.
- (e) Forms 1099-MISC and 2013 bank statements of Tom Hodal, LLC and Elite Manufacturing, LLC.
- (f) Summaries of advertising payments related to the four products ("Four Products").
- (g) Internal summary of Food, Drug & Master deductions, reclamation, shrinkage, and promotional discounts and copies of customer payment remittance checks containing these various deductions.
- (h) Internal units sold monthly tracking spread sheets.

III. Relevant Period.

10. This analysis incorporates two different relevant periods as follows:

- (a) Hi-Tech Relevant Period – The following table identifies the relevant period (starting and ending dates) for the “offending advertising” related to Hi-Tech’s Four Products:

| | |
|--|---------------------------|
| Advertising Period: September 1, 2010 through May 31, 2012 | Fastin |
| Advertising Period: September 1, 2010 through September 30, 2012 | Benzedrine |
| Advertising Period: January 1, 2011 through September 30, 2012 | Lipodrene and Stimerex-ES |

- (b) FTC Relevant Period – The relevant period for the FTC has been identified as January 1, 2009 through August 31, 2013.

IV. Summary of My Opinions.

11. The following are the conclusions related to the Hi-Tech Relevant Period derived from my analysis:
- (a) During the Hi-Tech Relevant Period, total customer billings for the Four Products that can be attributed to the “Offending Advertising” were determined to be \$22,825,377.
 - (b) Customer remittance deductions were determined to be \$2,631,049.
 - (c) Costs of goods sold were determined to be \$12,664,409.
 - (d) Food, Drug & Mass channel expenses were determined to be \$989,319.
 - (e) Allocated Selling, General & Administrative expenses (not related to advertising for the Four Products) were determined to be \$1,453,714.
 - (f) The net profit before tax and before subtracting the “Offending” Advertising attributable to the Hi-Tech Relevant Period was determined to be \$5,086,886.
 - (g) The amount of the “Offending” Advertising was determined to be \$3,975,699.

- (h) The net profit before tax and after subtracting the “Offending” Advertising attributable to the Hi-Tech Relevant Period was determined to be \$1,111,187.
12. The following are the conclusions related to the FTC Relevant Period derived from my analysis:
- (a) During the FTC Relevant Period, total customer billings for the Four Products that can be attributable to the “Offending Advertising” were determined to be \$46,233,396.
 - (b) Customer remittances deductions were determined to be \$6,112,446.
 - (c) Costs of goods sold were determined to be \$25,492,689.
 - (d) Food, Drug & Mass channel expenses were determined to be \$2,090,888.
 - (e) Allocated Selling, General & Administrative expenses (not related to advertising for the Four Products) were determined to be \$3,384,021.
 - (f) The net profit before tax and before subtraction out the “Offending” Advertising attributable to the Hi-Tech Relevant Period was determined to be \$9,153,352.
 - (g) The amount of the “Offending” Advertising attributable to the FTC Relevant Period was determined to be \$3,975,699.
 - (h) The net profit before tax and after subtracting the “Offending” Advertising attributable to the FTC Relevant Period was determined to be \$5,177,653.
13. During the years 2009 through 2012, which include the periods of the “Offending” Advertising, customer billings for Stimerex-ES declined from \$1,398,042 in 2009 to \$983,687 in 2010, then declined to \$969,908 in 2011. They further declined to \$837,176 in 2012. Customer billings for Benzedrine declined from \$378,095 in 2009 to \$256,776 in 2010, then declined to \$203,304 in 2011, and further declined to \$133,594 in 2012. Customer billings for Lipodrene decreased from \$2,848,632 in 2009 to \$2,183,936 in 2010, then decreased to \$2,094,745 in 2011, before increasing to \$2,234,729 in 2012. Accordingly, sales of three of the four products decreased from 2009 levels through the period of the “Offending” Advertising.

14. Customer billings for Fastin increased from \$2,984,845 in 2009 to \$3,569,188 in 2010, they then increased to \$12,011,467 in 2011 before falling to \$6,835,316 in 2012. From my analysis of product sales since inception, Hi-Tech's products appear to have discernable life cycles, which reach peak sales levels before declining.

V. Consumer Compensatory Damages.

15. Profits-Based Damages Approach: From Sales of all four Products.

- (a) Under this methodology, which is consistent with basic accounting, consumer compensatory damages are defined as the net profits (net sales revenues less related costs and expenses) to Hi-Tech from all net sales of the Four Products during the relevant period (September 1, 2010 through May 31, 2012 for Fastin, September 1, 2010 through September 30, 2012 for Benzedrine, and January 1, 2011 through September 30, 2012 for Lipodrene and Stimerex-ES).
- (b) In practice, Hi-Tech invoices its customers for its products, which include large Food, Drug and Mass retail chains (such as GNC, Kmart, Kroger, and CVS). These large chains regularly deduct from the remittance checks paid to Hi-Tech a number of different amounts for a variety of purposes including but not limited to: payment of store slotting fees, early payment discounts, returned items, damaged items, store promotions, newspaper inserts, new store discounts, shrinkage, adjustments, reclamation, billing discrepancies, other credit, and chargebacks. (These deductions are itemized on the customer remittance checks.) In addition, it is standard practice in dealing with chain stores to pay third party

brokers to assist in the placement of products in these stores. In return for their efforts, these brokers receive a percentage (generally 4% to 7%) of the net collections from sales of the applicable chain.

(c) As a result, the profit related to the Four Products is derived as follows:

Net amounts billed to customers for Four Products

Less: Customer Remittance Deductions

Equals: Net Sales

Less: Costs of Goods Sold

Less: Food, Drug & Mass Expenses

Less: Allocated Selling, General & Administrative Expenses

Equals: Net Profit Before Tax Before Advertising

Less: Advertising Related to Four Products

Equals: Net Profit Before Tax After Advertising

16. The first step in the computation of the net profits from the Four Products is the identification of the net amounts billed for the Four Products during the two relevant periods. Tables 1-1 and 2-1 present the amounts billed to customers of the Four Products during the Hi-Tech Relevant Period and the FTC Relevant Period. These amounts were obtained from Hi-Tech's Peachtree accounting system and were summarized for the various periods involved.

17. Since Hi-Tech never receives the funds deducted from customer remittance payments, as described above, these amounts must be reduced from the amounts billed to customers. Therefore, the second step in the computation of net profits from the Four Products is the determination of the applicable amount of Customer Remittance Deductions related to sales

of the Four Products. These deductions are shown in Tables 1-2 and 2-2, for the two relevant periods.

18. The third step in the computation of net profits from the Four Products is the identification of the costs of goods sold (COGS). Costs of goods sold are the direct costs incurred in the production of the products that are marketed and sold to customers. In the case of the Four Products, these include the costs of the ingredients, production labor, bottles, lids, cotton, outer box, master case, testing, packing, labels, freight, and various coatings. Table 3 identifies the derivation of the COGS percentage used in the computation of COGS for each of the Four Products during the relevant period. (In this matter, it should be noted that the COGS percentages applied to the Four Products were based on the ratio of total COGS-related purchases to all product billings, rather than total COGS-related purchases to company collections. This was done because purchases and sales precede collections and would have resulted in higher costs matched against lower revenues from cash collections.)

19. The fourth step in the determination of net profits from the Four Products is the identification of the amount of Food, Drug & Mass broker payments to Hi-Tech personnel required in order to get the products into the chain stores and manage these accounts. The broker payments are not deducted from the chain store via remittance payments deductions; instead, these are paid separately by Hi-Tech to individual brokers based on a percentage of net sales (typically 4% - 7%) to each customer. Hi-Tech pays Mike Smith and Steve Smith to manage these brokers and chain store accounts on its behalf. Therefore, these costs of managing the sales of its product into the chain stores are also deducted. Tables 1-3 and 2-3, identify the amounts of these payments for each of the two relevant periods.

20. The next step in the determination of net profits from the Four Products is the identification of relevant Selling, General & Administrative expenses (SG&A) that have not already been addressed above. While SG&A expenses are not directly identifiable with any particular product, they are necessary in order for a company to operate (examples, include rent, bank charges, credit card fees, administrative salaries & wages, telephone, utilities, payroll taxes, and supplies). It should be noted that advertising expenses, professional fees, meals and entertainment, depreciation and certain other expenses found on Hi-Tech's Statements of Operations (P&L's) were not included in the allocation of SG&A expenses to the Four Products. Table 4 presents a summary of the relevant SG&A expenses that were incurred by Hi-Tech and which need to be allocated to the Four Products. (It should be noted that advertising expenses that were related solely to the Four Products (and which were not derived from an allocation of overall advertising and promotion expenses) are shown as a separate line item on Tables 1 and 2, Net Profit – Four Products. Hi-Tech Relevant Period and Net Profit – Four Products, FTC Relevant Period, respectively.

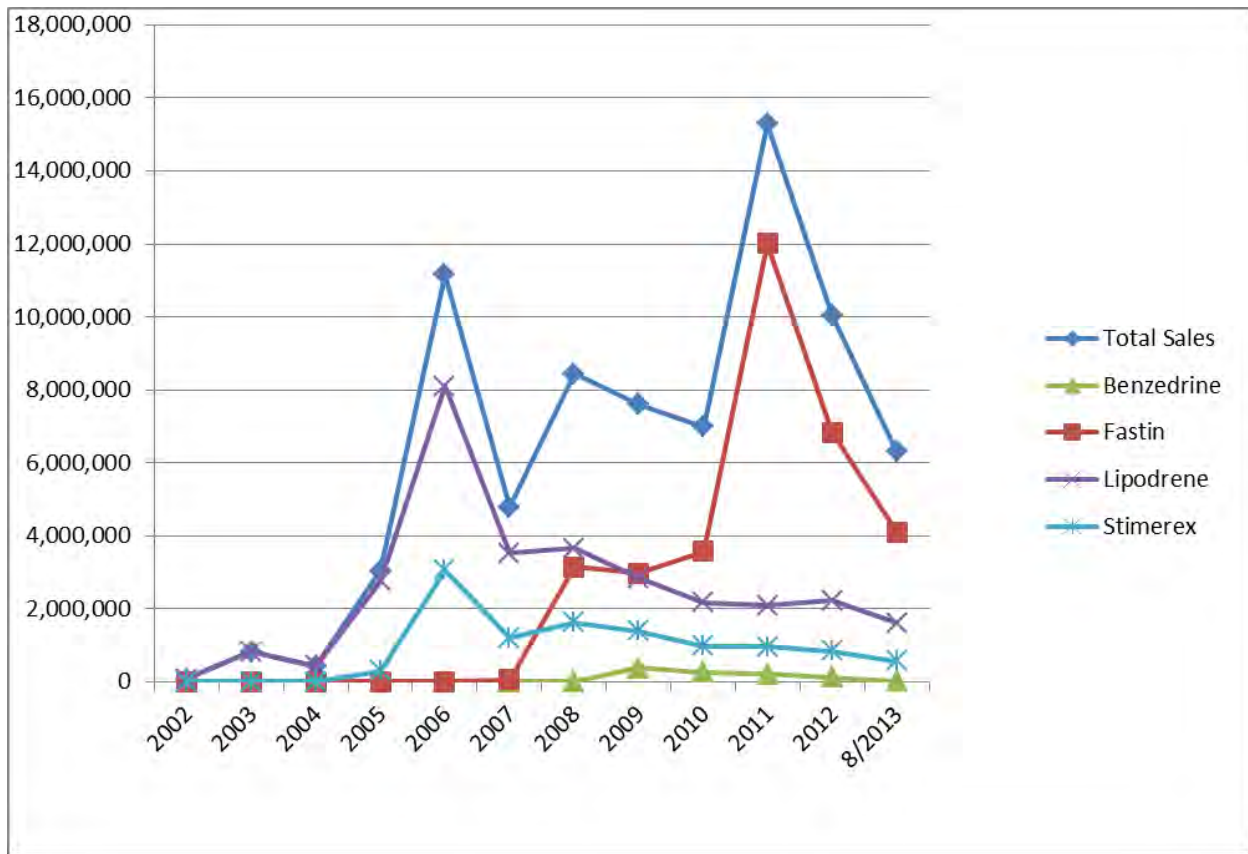
21. The resulting net profit from the Four Products for each of the two relevant periods shown in Tables 1 and 2, which constitute overall summaries of the various steps described above.

22. Based on my analysis of the data and information available to me as of the date of this report, I estimate that the net amount of profit, before consideration of income taxes, to Hi-Tech from the Four Products during the Hi-Tech Relevant Period to be \$5,086,886 before subtraction of the "Offending" Advertising and \$1,111,187 after subtraction of the advertising (Table 1). I estimate the net amount of profit to Hi-Tech, before consideration of income taxes,

from the Four Products during the FTC Relevant Period to be \$9,153,352 before subtraction of the “Offending” Advertising and \$5,177,653 after subtraction of the advertising (Table 2).

VI. Changes in Sales of the Four Products.

23. I analyzed changes in the historical sales of the Four Products since inception for the purpose of identifying overall trends and any key events that took place which might have had an influence on sales of the Four Products. As shown in the chart below, following the year of their product introductions, sales of Stimerex-ES and Lipodrene peaked and then started to decline within approximately five years of product introduction. Sales of Benzedrine, which have never taken off, peaked in 2009 following its introduction in 2008. Based on the apparent life cycles of Lipodrene and Stimerex-ES, it would appear that Fastin’s life cycle would have limits as well.



24. Starting in late 2007, Fastin's sales increased to \$3.5 million in 2008, before declining to approximately \$3.0 million in 2009, which corresponded with the incarceration of Jared Wheat beginning in April 2009. From approximately \$3.0 million in sales in 2009, Fastin's sales increased to approximately \$3.5 million in 2010, which included the addition of a new large account, CVS, in late 2010. (According to Mr. Wheat, the CVS and Rite-Aid accounts were initiated by Mr. Wheat starting in September 2010.) For the period September through December 2010, total sales to CVS exceeded \$500K. CVS remained as a top purchaser of Fastin into 2013. Also, in September 2010, the "Offending" Advertising for Fastin and Benzedrine began. During the years 2008 through 2013, Hi-Tech began attending trade shows (such as EPPS, ECRM), which target retailers and mass chain purchasers of health and beauty related products. According to Mr. Wheat, Hi-Tech gained many accounts through attending these shows including: Walgreens (2009), KMart (2010), Meijer (2011), Duane-Read (2011), Albertson's (2011), McLane (2011), Winn Dixie (2011), Super Valu (2012) & Price Chopper (2013).

25. During the first quarter of 2011 Mr. Wheat left the half-way house and resumed running Hi-Tech. (The "Offending" advertising for Lipodrene and Stimerex began on approximately January 1, 2011.) Also in the first quarter of 2011, Hi-Tech purchased end cap display space from Rite-Aid and remained a Fastin customer into 2013. Other key events in 2011 included the purchase in the fourth quarter of 2011 of \$2,378,168 by Windmill Health Products for a special placement in Wal-Mart stores. Wal-Mart continued as a large customer of Fastin through the Spring 2012, when it ceased being a customer over a pricing dispute. Walgreens, which had been a top customer of Fastin since the third quarter of 2009, ceased carrying Fastin upon learning of the FTC lawsuit against Hi-Tech. (New You, Inc., historically

one of the largest purchasers of Lipodrene ceased being a customer in the second quarter of 2011 over \$500K in past due invoices owed to Hi-Tech.) The "Offending" Advertising for Fastin ended in May 2012, while it ended in September 2012 for Benzedrine, Stimerex-ES and Lipodrene.

VII. Compensation.

26. My billable rate is \$290 per hour for all services required during the course of this engagement. I have no financial interest in the outcome of this litigation.



James F. Hart, MBA, CPA/ABV/CFF, CFE, CIRA

Dated: November 27, 2013

Hi-Tech Pharmaceuticals, Inc.
Net Profit - Four Products

Table 1

| | Hi-Tech Relevant Period | | | | Total |
|--|--|---------------------------------------|---------------------------------------|---------------------------------------|---------------------|
| | Jun 1, 2012 - Sept 30, 2012 | Jan 1, 2012 - May 31, 2012 | Jan 1, 2011 - Dec 31, 2011 | Sept 1, 2010- Dec 31, 2010 | |
| Billings: | | | | | |
| Benzedrine | \$33,039 | \$92,133 | \$203,304 | \$61,681 | \$390,157 |
| Fastin | - | 3,270,466 | 12,011,467 | 1,679,189 | 16,961,122 |
| Lipodrene | 827,486 | 927,023 | 2,094,745 | - | 3,849,254 |
| Stimerex-ES | 271,920 | 383,016 | 969,908 | - | 1,624,844 |
| Total Billings | (1) <u>\$1,132,445</u> | <u>\$4,672,638</u> | <u>\$15,279,424</u> | <u>\$1,740,870</u> | <u>\$22,825,377</u> |
| Customer Remittance | | | | | |
| Deductions: | (2) (2,004) | (588,152) | (1,909,828) | (131,065) | (2,631,049) |
| Net Sales | <u>\$1,130,441</u> | <u>\$4,084,486</u> | <u>\$13,369,596</u> | <u>\$1,609,805</u> | <u>\$20,194,328</u> |
| Cost of Goods Sold | (3) (627,375) | (2,588,641) | (8,464,801) | (983,592) | (12,664,409) |
| | 55.4% | 55.4% | 55.4% | 56.5% | 55.5% |
| Food, Drug & Mass | (4) (154,714) | (261,273) | (456,194) | (117,138) | (989,319) |
| Allocated SG&A | (5) (88,331) | (364,466) | (825,089) | (175,828) | (1,453,714) |
| | 7.8% | 7.8% | 5.4% | 10.1% | 6.4% |
| Net Profit Before Tax & Advertising | <u>\$260,021</u> | <u>\$870,106</u> | <u>\$3,623,512</u> | <u>\$333,247</u> | <u>\$5,086,886</u> |
| Advertising | (6) (138,428) | (1,020,107) | (2,676,933) | (140,231) | (3,975,699) |
| Net Profit Before Tax After Advertising | <u>\$121,593</u> | <u>(\$150,001)</u> | <u>\$946,579</u> | <u>\$193,016</u> | <u>\$1,111,187</u> |

Notes:

- | | |
|--------------------|--------------------|
| (1) See Table 1-1. | (4) See Table 1-3. |
| (2) See Table 1-2. | (5) See Table 4. |
| (3) See Table 3. | (6) See Table 5. |

Billings to Customers

Hi-Tech Relevant Period

Source: Invoice Registers

| Item ID | Item Description | Jun 1 to Sept 30, 2012 all 4 products EXCEPT Fastin | | Jan 1 to May 31, 2012 all 4 products | | Jan 1 to Dec 31, 2011 all 4 products | | Sept 1 to Dec 31, 2010 Fastin and Benzadrine only | | Total |
|---|--------------------------------|--|------------------------|---|------------------------|---|------------------------|--|-----------------------|------------------------|
| | | Units Sold | Sales(\$) | Units Sold | Sales(\$) | Units Sold | Sales(\$) | Units Sold | Sales(\$) | |
| M&D 60-CT BENZEDRINE | M&D Benzedrine MC (120 btl) | 7.00 | 19,320.00 | 29.00 | 80,040.00 | 54.00 | 149,040.00 | 11.00 | 30,360.00 | |
| BENZEDRINE | Benzedrine 60-ct Bottle | 632.00 | 13,718.88 | 481.00 | 11,685.00 | 2,503.00 | 53,040.45 | 1,318.00 | 31,321.20 | |
| M&D 60-CT BENZEDR CS | M&D Benzedrine 60-ct (12 btl) | | | 2.00 | 408.00 | 6.00 | 1,224.00 | | | |
| Benzadrine Subtotal | | 639.00 | 33,038.88 | 512.00 | 92,133.00 | 2,563.00 | 203,304.45 | 1,329.00 | 61,681.20 | \$390,157.53 |
| 20-CT FASTIN | 20-ct Fastin | | | | | 492.00 | 5,688.00 | | | |
| 30-CT FASTIN BOTTLE | 30-ct Fastin Bottle | | | | | | | 2,052.00 | 32,391.92 | |
| FASTIN | Fastin 60-ct Bottles | | | 24,322.00 | 519,554.78 | 38,379.00 | 769,404.98 | 21,508.00 | 428,305.05 | |
| 30-CT FASTIN BOTTLE | 30-ct Fastin Bottle | | | 6,163.00 | 98,788.60 | 8,044.00 | 129,099.84 | | | |
| FASTIN 3-CT MASTER | Fastin 3-ct Master Case | | | | | 2.00 | 662.40 | 35.00 | 23,184.00 | |
| M&D 20-CT FASTIN | M&D 20-Ct. Fastin Master Case | | | | | | | | | |
| M&D 20-CT FASTIN | M&D 20-Ct. Fastin M.C. (144) | | | | | 8.00 | 13,824.00 | 370.00 | 104,256.00 | |
| M&D 20-CT FASTIN 6CT | M&D 20-Ct. Fastin (6 units) | | | | | | | 28.00 | 2,016.00 | |
| M&D 20-CT FASTIN CS | M&D 20-Ct. Fastin (12 units) | | | | | 485.00 | 65,304.00 | 116.00 | 16,704.00 | |
| M&D 20-CT FASTIN CSE | M&D 20-Ct. Fastin (24 units) | | | | | 793.00 | 228,384.00 | 139.00 | 40,032.00 | |
| M&D 3-CT FASTIN M.C. | M&D 3-ct Fastin MC (24 boxes) | | | 34.00 | 29,376.00 | 91.00 | 80,496.00 | | | |
| M&D 30CT FASTIN CASE | M&D 30ct Fastin Case (24btl) | | | | | 15,226.00 | 6,046,788.00 | 739.00 | 304,380.00 | |
| M&D 30-CT FASTIN M.C | M&D 30-ct Fastin MC (120 btl) | | | | | 1,167.00 | 2,100,600.00 | 314.00 | 522,000.00 | |
| M&D 30CT FASTIN CS | M&D 30ct Fastin 12 btl | | | | | 666.00 | 126,984.24 | | | |
| M&D 30-CT FASTIN MC | M&D 30-ct Fastin (48 bottles) | | | | | | | | | |
| M&D 30CT FASTIN 6CT | M&D 30ct Fastin Case (6btl) | | | 87.00 | 7,830.00 | 68.00 | 6,120.00 | | | |
| M&D 30-CT FASTIN M.C | M&D 30-ct Fastin MC (120 btl) | | | 637.00 | 1,146,600.00 | | | | | |
| M&D 30CT FASTIN CASE | M&D 30ct Fastin Case (24btl) | | | 2,644.00 | 977,952.00 | | | | | |
| M&D 30CT FASTIN CS | M&D 30ct Fastin 12 btl | | | 1,100.00 | 221,900.72 | | | | | |
| M&D 30CT FASTIN MW1 | M&D 30ct Fastin 6pk Mini-Wing | | | | | | | 572.00 | 205,920.00 | |
| M&D 60-CT FASTIN CS | M&D 60-ct Fastin Cse (12 btl) | | | 23.00 | 7,728.00 | 275.00 | 123,312.00 | | | |
| M&D 60-CT FASTIN M.C | M&D 60-ct Fastin Cse (120 btl) | | | 75.00 | 252,000.00 | 60.00 | 201,600.00 | | | |
| M&D 60CT FASTIN CASE | M&D 60ct Fastin Case (24 btl) | | | 13.00 | 8,736.00 | | | | | |
| M&D FASTIN 60CT DM | M&D 60-ct Fastin 120 btl | | | | | | | | | |
| M&D FASTIN BONUS | M&D 30-Ct. Fastin (24 units) | | | | | 313.00 | 90,144.00 | | | |
| M&D 18PC FASTIN DISP | M&D 18pc Fastin 30ct Display | | | | | 8,028.00 | 2,023,056.00 | | | |
| Fastin Subtotal | | | | 35,098.00 | 3,270,466.10 | 74,097.00 | 12,011,467.46 | 25,873.00 | 1,679,188.97 | \$16,961,122.53 |
| 20-CT LIPODRENE | 20-ct Lipodrene Bottle | 3,797.00 | 24,962.63 | 4,909.00 | 32,064.00 | 11,008.00 | 67,408.62 | | | |
| LIPODRENE (2-CT) | Lipodrene 2-ct Blister | 30.00 | 544.00 | 124.00 | 2,177.50 | 114.00 | 1,988.40 | | | |
| LIPODRENE (2-CT) MC | Lipodrene (2-ct) Master Case | 2.00 | 345.60 | 10.00 | 2,304.00 | 2.00 | 633.50 | | | |
| Lipodrene 100 ct. | Lipodrene 100ct btl | 46,145.00 | 801,633.31 | 46,887.00 | 890,477.77 | 108,792.00 | 2,024,714.75 | | | |
| Lipodrene Subtotal | | 49,974.00 | 827,485.54 | 51,930.00 | 927,023.27 | 119,916.00 | 2,094,745.27 | | | \$3,849,254.08 |
| 20-ct Stimerex-ES | 20-CT STIMEREX-ES | 3,743.00 | 23,611.59 | 4,279.00 | 26,835.35 | 10,680.00 | 64,811.65 | | | |
| 90-ct Stimerex-ES | Stimerex-ES 90ct w/ephedra | 12,841.00 | 247,908.63 | 18,218.00 | 353,199.24 | 47,025.00 | 902,789.59 | | | |
| STIMEREX-ES (2-CT) | Stimerex-ES 2-ct Blister | (1.00) | 54.00 | 40.00 | 677.80 | 78.00 | 1,327.40 | | | |
| STIMEREX-ES (2CT) MC | Stimerex-ES (2-ct) Master Case | 2.00 | 345.60 | 10.00 | 2,304.00 | 3.00 | 979.20 | | | |
| Stimerex Subtotal | | 16,585.00 | 271,919.82 | 22,547.00 | 383,016.39 | 57,786.00 | 969,907.84 | | | \$1,624,844.05 |
| Selected product total | Selected product total | 67,198.00 | \$1,132,444.24 | 110,087.00 | \$4,672,638.76 | 254,362.00 | \$15,279,425.02 | 27,202.00 | \$1,740,870.17 | \$22,825,378.19 |
| Other Products | | | \$12,558,784.33 | | \$15,290,883.04 | | \$26,527,465.26 | | \$3,578,690.44 | |
| All Products | All Products | | \$13,691,228.57 | | \$19,963,521.80 | | \$41,806,890.28 | | \$5,319,560.61 | |
| Selected Products as percentage of total sales | | | 8% | | 23% | | 37% | | 33% | |
| Total per invoice register includes freight | | | \$13,713,924.70 | | \$20,011,171.70 | | \$41,974,787.78 | | \$5,329,696.28 | |
| Freight | | | \$22,696.13 | | \$47,649.90 | | \$167,897.50 | | \$10,135.67 | |
| Invoices net of freight | | | \$13,691,228.57 | | \$19,963,521.80 | | \$41,806,890.28 | | \$5,319,560.61 | |

Hi-Tech Pharmaceuticals, Inc
Customer Remittance Deductions from Four Products

Table 1-2

| Hi-Tech Relevant Period | | | | |
|--------------------------------|------------------------|------------------|------------------|---------------|
| Customer | June 1 to Sept 30, | Jan 1 to May 31, | Jan 1 to Dec 31, | Sept 1 to Dec |
| | 2012 Excudes FASTIN | 2012 | 2011 | 31, 2010 |
| Albertsons | 0.00% | 54.37% | 70.20% | 73.01% |
| Cardinal Health | 0.00% | 94.83% | 98.70% | 100.00% |
| CVS | 0.00% | 43.73% | 55.19% | 93.95% |
| GNC | 1.38% | 5.51% | 44.36% | 57.22% |
| Kmart | 0.00% | 55.07% | 48.28% | 0.00% |
| Kroger | 0.00% | 0.00% | 0.00% | 0.00% |
| McLane | 0.00% | 29.82% | 31.23% | 0.00% |
| Meijer | 0.00% | 68.02% | 80.71% | 71.76% |
| Rite-Aid | 0.90% | 51.49% | 49.65% | 51.42% |
| Supervalu | 0.00% | 0.00% | 0.00% | 0.00% |
| Walgreens | 0.00% | 42.34% | 89.53% | 99.63% |

Percentage of 4 Product sales to total product sales for certain customers.

Wal-Mart sales were negligible during these time periods.

(Source : Items Sold to Customers reports from Peachtree)

| | | | | |
|-----------------|----------------------|------------------------|------------------------|----------------------|
| Albertsons | \$ 2,999.87 | \$ 4,793.87 | \$ 4,105.02 | \$ 2,962.46 |
| Cardinal Health | 58,050.67 | 13,177.17 | 27,550.08 | 4,483.57 |
| CVS | 523,177.92 | 689,487.65 | 828,955.07 | 66,390.92 |
| GNC | 65,013.04 | 203,709.53 | 329,292.68 | 23,087.69 |
| Kmart | 61,860.22 | 15,855.42 | 161,679.96 | 0 |
| Kroger | 16,567.77 | 17,796.35 | 40,617.88 | 54,933.19 |
| McLane | 4,430.38 | 24,078.91 | 29,956.88 | 0 |
| Meijer | 15,200.31 | 9,229.67 | 30,048.87 | 7,090.53 |
| Rite-Aid | 123,016.13 | 226,754.69 | 648,461.54 | 85,073.84 |
| Supervalu | 0 | 0 | 0 | 0 |
| Walgreens | 0 | 286,647.63 | 941,082.56 | 0 |
| Total | \$ 870,316.31 | \$ 1,491,530.89 | \$ 3,041,750.54 | \$ 244,022.20 |

(Source : Customer discounts and deductions worksheets from customer check remittances)

Hi-Tech Pharmaceuticals, Inc
Customer Remittance Deductions from Four Products

Table 1-2

| Hi-Tech Relevant Period | | | | |
|--|------------------------|----------------------|------------------------|----------------------|
| Customer | June 1 to Sept 30, | Jan 1 to May 31, | Jan 1 to Dec 31, | Sept 1 to Dec |
| | 2012 Excudes FASTIN | 2012 | 2011 | 31, 2010 |
| Discounts and deductions multiplied by percentage | | | | |
| Albertsons | \$ - | \$ 2,606.43 | \$ 2,881.72 | \$ 2,162.89 |
| Cardinal Health | - | 12,495.91 | 27,191.93 | 4,483.57 |
| CVS | - | 301,512.95 | 457,500.30 | 62,374.27 |
| GNC | 897.18 | 11,224.40 | 146,074.23 | 13,210.78 |
| Kmart | - | 8,731.58 | 78,059.08 | - |
| Kroger | - | - | - | - |
| McLane | - | 7,180.33 | 9,355.53 | - |
| Meijer | - | 6,278.02 | 24,252.44 | 5,088.16 |
| Rite-Aid | 1,107.15 | 116,755.99 | 321,961.15 | 43,744.97 |
| Supervalu | - | - | - | - |
| Walgreens | - | 121,366.61 | 842,551.22 | - |
| Total | \$ 2,004.33 | \$ 588,152.21 | \$ 1,909,827.62 | \$ 131,064.64 |

Hi-Tech Pharmaceuticals, Inc.

Table 1-3

Food, Drug & Mass: Payments to Brokers and Mike & Steve Smith

| Hi-Tech Relevant Period | | | | | |
|-------------------------|--|--------------------------|--------------------------|---------------------------|------------------|
| | June 1 to Sept 30, 2012 excudes FASTIN | Jan 1 to May 31, 2012 | Jan 1 to Dec 31, 2011 | Sept 1 to Dec 31, 2010 | Total |
| Payments to Brokers | \$248 | \$68,190 | \$223,777 | \$36,348 | \$328,563 |
| Payments to Mike Smith | 29,466 | 36,833 | 82,417 | 32,709 | 181,425 |
| Payments to Steve Smith | 125,000 | 156,250 | 150,000 | 48,081 | 479,331 |
| Total | <u>\$154,714</u> | <u>\$261,273</u> | <u>\$456,194</u> | <u>\$117,138</u> | <u>\$989,319</u> |

Source of Broker payments: Forms 1099 prepared by Claude H. Estes + Company, P.C., CPA and Hi-Tech payment schedules to brokers. Broker payments were multiplied by the percentage of sales of the Four Products sold by brokers to customers as determined at Table 1-2.

Source of Smith payments: Forms 1099 prepared by Claude H. Estes + Company, P.C., CPA and Hi-Tech payments to date for 2013.

Hi-Tech Pharmaceuticals, Inc.
Net Profit - Four Products

Table 2

| | | FTC Relevant Period | | | | | |
|---|-----|----------------------------|--------------|--------------|-------------|-------------|--------------|
| | | 8 mos thru Aug 31, 2013 | 2012 | 2011 | 2010 | 2009 | Total |
| Billings: | | | | | | | |
| Benzedrine | | \$20,735 | \$133,594 | \$203,304 | \$256,776 | \$378,095 | \$992,504 |
| Fastin | | 4,109,476 | 6,835,316 | 12,011,467 | 3,569,188 | 2,984,845 | 29,510,292 |
| Lipodrene | | 1,610,506 | 2,234,729 | 2,094,745 | 2,183,936 | 2,848,632 | 10,972,548 |
| Stimerex-ES | | 569,239 | 837,176 | 969,908 | 983,687 | 1,398,042 | 4,758,052 |
| Total Billings | (1) | \$6,309,956 | \$10,040,815 | \$15,279,424 | \$6,993,587 | \$7,609,614 | \$46,233,396 |
| Customer Remittance | | | | | | | |
| Deductions | (2) | (630,233) | (1,440,052) | (1,909,828) | (982,112) | (1,150,221) | (6,112,446) |
| Net Sales | | \$5,679,723 | \$8,600,763 | \$13,369,596 | \$6,011,475 | \$6,459,393 | \$40,120,950 |
| Cost of Goods Sold | (3) | (3,518,852) | (5,562,612) | (8,464,801) | (3,951,377) | (3,995,047) | (25,492,689) |
| | | 55.8% | 55.4% | 55.4% | 56.5% | 52.5% | 55.1% |
| Food, Drug & Mass | (4) | (315,108) | (627,141) | (456,194) | (320,953) | (371,492) | (2,090,888) |
| Allocated SG&A | (5) | (460,627) | (783,184) | (825,089) | (706,352) | (608,769) | (3,384,021) |
| | | 7.3% | 7.8% | 5.4% | 10.1% | 8.0% | 7.3% |
| Net Profit Before Tax & Advertising | | \$1,385,136 | \$1,627,826 | \$3,623,512 | \$1,032,793 | \$1,484,085 | \$9,153,352 |
| Advertising of Four Products | (6) | - | (1,158,535) | (2,676,933) | (140,231) | - | (3,975,699) |
| Net Profit Before Tax After Advertising | | \$1,385,136 | \$469,291 | \$946,579 | \$892,562 | \$1,484,085 | \$5,177,653 |

Notes:

- | | |
|---|--------------------|
| (1) See Table 2-1. | (4) See Table 2-3. |
| (2) See Table 2-2. | (5) See Table 4. |
| (3) See Table 3. Y-T-D 2013 is the average % of 2010-2012. | (6) See Table 5. |

FTC Relevant Period

| Item ID | Item Description | Jan 1 to Aug 31, 2013 | | Jan 1 to Dec 31, 2012 | | Jan 1 to Dec 31, 2011 | | Jan 1 to Dec 31, 2010 | | Jan 1 to Dec 31, 2009 | |
|---|---------------------------------|-----------------------|------------------------|-----------------------|------------------------|-----------------------|------------------------|-----------------------|------------------------|-----------------------|------------------------|
| | | Units Sold | Sales(\$) | Units Sold | Sales(\$) | Units Sold | Sales(\$) | Units Sold | Sales(\$) | Units Sold | Sales(\$) |
| M&D 60-CT BENZEDRINE BENZEDRINE | M&D Benzedrine MC (120 btl's) | | | 36.00 | 99,360.00 | 54.00 | 149,040.00 | 58.00 | 160,080.00 | 98.00 | 270,480.00 |
| M&D 60-CT BENZEDR CS | Benzedrine 60-ct Bottle | 1,079.00 | 20,735.12 | 1,560.00 | 33,826.19 | 2,503.00 | 53,040.45 | 3,956.00 | 96,695.99 | 4,632.00 | 107,615.33 |
| | M&D Benzedrine 60-ct (12 btl's) | | | 2.00 | 408.00 | 6.00 | 1,224.00 | | | | |
| Benzadrine Subtotal | | 1,079.00 | 20,735.12 | 1,598.00 | 133,594.19 | 2,563.00 | 203,304.45 | 4,014.00 | 256,775.99 | 4,730.00 | 378,095.33 |
| 20-CT FASTIN | 20-ct Fastin | | | | | 492.00 | 5,688.00 | 1,450.00 | 16,886.16 | 2,231.00 | 25,711.50 |
| 30-CT FASTIN BOTTLE | 30-ct Fastin Bottle | 5,800.00 | 93,070.84 | | | | | | | | |
| FASTIN | Fastin 60-ct Bottles | 18,321.00 | 376,459.68 | 36,396.00 | 765,640.24 | 38,379.00 | 769,404.98 | 55,728.00 | 1,127,987.18 | 76,520.00 | 1,783,774.45 |
| 30-CT FASTIN BOTTLE | 30-ct Fastin Bottle | | | 10,357.00 | 166,693.90 | 8,044.00 | 129,099.84 | 17,331.00 | 263,732.44 | 624.00 | 9,984.00 |
| FASTIN 3-CT MASTER | Fastin 3-ct Master Case | | | 1.00 | 1,440.00 | 2.00 | 662.40 | 35.00 | 23,184.00 | | |
| M&D 20-CT FASTIN | M&D 20-Ct. Fastin Master Case | | | | | | | | | 1,471.00 | 800,136.00 |
| M&D 20-CT FASTIN | M&D 20-Ct. Fastin M.C. (144) | | | | | 8.00 | 13,824.00 | 1,245.00 | 324,633.60 | | |
| M&D 20-CT FASTIN 6CT | M&D 20-Ct. Fastin (6 units) | | | | | | | 28.00 | 2,016.00 | | |
| M&D 20-CT FASTIN CS | M&D 20-Ct. Fastin (12 units) | | | | | 485.00 | 65,304.00 | 116.00 | 16,704.00 | | |
| M&D 20-CT FASTIN CSE | M&D 20-Ct. Fastin (24 units) | | | | | 793.00 | 228,384.00 | 139.00 | 40,032.00 | | |
| M&D 3-CT FASTIN M.C. | M&D 3-ct Fastin MC (24 boxes) | 48.00 | 41,472.00 | 95.00 | 82,080.00 | 91.00 | 80,496.00 | | | | |
| M&D 30CT FASTIN CASE | M&D 30ct Fastin Case (24btl's) | | | | | 15,226.00 | 6,046,788.00 | 1,716.00 | 714,236.88 | | |
| M&D 30-CT FASTIN M.C | M&D 30-ct Fastin MC (120 btl's) | | | | | 1,167.00 | 2,100,600.00 | 476.00 | 759,600.00 | | |
| M&D 30CT FASTIN CS | M&D 30ct Fastin 12 btl's | | | | | 666.00 | 126,984.24 | | | | |
| M&D 30-CT FASTIN MC | M&D 30-ct Fastin (48 bottles) | | | | | | | | | | |
| M&D 30CT FASTIN 6CT | M&D 30ct Fastin Case (6btl's) | 60.00 | 5,400.00 | 146.00 | 13,140.00 | 68.00 | 6,120.00 | | | | |
| M&D 30-CT FASTIN M.C | M&D 30-ct Fastin MC (120 btl's) | 1,007.00 | 2,061,600.00 | 1,480.00 | 2,818,500.00 | | | | | 153.00 | 218,976.00 |
| M&D 30CT FASTIN CASE | M&D 30ct Fastin Case (24btl's) | 2,644.00 | 885,828.00 | 5,109.00 | 1,794,924.00 | | | 114.00 | 74,256.00 | 112.00 | 39,415.32 |
| M&D 30CT FASTIN CS | M&D 30ct Fastin 12 btl's | 1,429.00 | 296,205.52 | 2,555.00 | 524,258.08 | | | | | | |
| M&D 30CT FASTIN MW1 | M&D 30ct Fastin 6pk Mini-Wing | | | | | | | 572.00 | 205,920.00 | | |
| M&D 60-CT FASTIN CS | M&D 60-ct Fastin Cse (12 btl's) | | | 28.00 | 9,408.00 | 275.00 | 123,312.00 | | | | |
| M&D 60-CT FASTIN M.C | M&D 60-ct Fastin Cse (120 btl) | 104.00 | 349,440.00 | 308.00 | 638,400.00 | 60.00 | 201,600.00 | | | | |
| M&D 60CT FASTIN CASE | M&D 60ct Fastin Case (24 btl's) | | | 31.00 | 20,832.00 | | | | | 159.00 | 106,848.00 |
| M&D FASTIN 60CT DM | M&D 60-ct Fastin 120 btl | | | | | 313.00 | 90,144.00 | | | | |
| M&D FASTIN BONUS | M&D 30-Ct. Fastin (24 units) | | | | | 8,028.00 | 2,023,056.00 | | | | |
| M&D 18PC FASTIN DISP | M&D 18pc Fastin 30ct Display | | | | | | | | | | |
| Fastin Subtotal | | 29,413.00 | 4,109,476.04 | 56,506.00 | 6,835,316.22 | 74,097.00 | 12,011,467.46 | 78,950.00 | 3,569,188.26 | 81,270.00 | 2,984,845.27 |
| 20-CT LIPODRENE | 20-ct Lipodrene Bottle | 7,072.00 | 46,901.04 | 10,792.00 | 70,410.66 | 11,008.00 | 67,408.62 | 10,632.00 | 53,446.89 | 6,402.00 | 33,531.92 |
| LIPODRENE (2-CT) | Lipodrene 2-ct Blister | 72.00 | 1,291.50 | 213.00 | 3,785.50 | 114.00 | 1,988.40 | | | 258.00 | 3,615.00 |
| LIPODRENE (2-CT) MC | Lipodrene (2-ct) Master Case | 7.00 | 1,382.40 | 13.00 | 2,995.20 | 2.00 | 633.50 | | | 63.00 | 15,668.00 |
| Lipodrene 100 ct. | Lipodrene 100ct btl | 88,515.00 | 1,560,931.53 | 119,447.00 | 2,157,537.49 | 108,792.00 | 2,024,714.75 | 117,799.00 | 2,130,488.91 | 154,412.00 | 2,795,817.00 |
| Lipodrene Subtotal | | 95,666.00 | 1,610,506.47 | 130,465.00 | 2,234,728.85 | 119,916.00 | 2,094,745.27 | 128,431.00 | 2,183,935.80 | 161,135.00 | 2,848,631.92 |
| 20-ct Stimerex-ES | 20-CT STIMEREX-ES | 6,357.00 | 41,005.20 | 10,002.00 | 63,156.30 | 10,680.00 | 64,811.65 | 12,143.00 | 62,682.81 | 9,690.00 | 53,975.17 |
| 90-ct Stimerex-ES | Stimerex-ES 90ct w/ephedra | 28,472.00 | 525,187.13 | 40,009.00 | 769,446.35 | 47,025.00 | 902,789.59 | 50,263.00 | 921,004.05 | 72,688.00 | 1,323,479.06 |
| STIMEREX-ES (2-CT) | Stimerex-ES 2-ct Blister | 80.00 | 1,434.00 | 86.00 | 1,577.80 | 78.00 | 1,327.40 | | | 230.00 | 3,192.44 |
| STIMEREX-ES (2CT) MC | Stimerex-ES (2-ct) Master Case | 8.00 | 1,612.80 | 13.00 | 2,995.20 | 3.00 | 979.20 | | | 68.00 | 17,395.40 |
| Stimerex Subtotal | | 34,917.00 | 569,239.13 | 50,110.00 | 837,175.65 | 57,786.00 | 969,907.84 | 62,406.00 | 983,686.86 | 82,676.00 | 1,398,042.07 |
| Selected product total | Selected product total | 161,075.00 | \$6,309,956.76 | 238,679.00 | \$10,040,814.91 | 254,362.00 | \$15,279,425.02 | 273,801.00 | \$6,993,586.91 | 329,811.00 | \$7,609,614.59 |
| Other Products | | | \$24,487,133.99 | | \$35,167,426.00 | | \$26,527,465.26 | | \$9,305,733.34 | | \$13,682,793.67 |
| All Products | | | \$30,797,090.75 | | \$45,208,240.91 | | \$41,806,890.28 | | \$16,299,320.25 | | \$21,292,408.26 |
| Selected Products as percentage of total sales | | | 20% | | 22% | | 37% | | 43% | | 36% |
| Total per invoice register includes freight | | | \$30,848,734.35 | | \$45,289,943.51 | | \$41,974,787.78 | | \$16,332,099.03 | | \$21,360,916.79 |
| Freight | | | \$51,643.60 | | \$81,702.60 | | \$167,897.50 | | \$32,778.78 | | \$68,508.53 |
| Invoices net of freight | | | \$30,797,090.75 | | \$45,208,240.91 | | \$41,806,890.28 | | \$16,299,320.25 | | \$21,292,408.26 |

Hi-Tech Pharmaceuticals, Inc
Customer Remittance Deductions from Four Products

Table 2-2

| FTC Relevant Period | | | | | |
|----------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Customer | Jan 1 to Aug 31, 2013 | Jan 1 to Dec 31, 2012 | Jan 1 to Dec 31, 2011 | Jan 1 to Dec 31, 2010 | Jan 1 to Dec 31, 2009 |
| Albertsons | 54.91% | 59.31% | 70.20% | 57.33% | 0.00% |
| Cardinal Health | 89.16% | 90.81% | 98.70% | 97.29% | 100.00% |
| CVS | 36.03% | 41.21% | 55.19% | 69.09% | 0.00% |
| GNC | 0.12% | 20.22% | 44.36% | 70.24% | 80.06% |
| Kmart | 58.41% | 55.76% | 48.28% | 100.00% | 0.00% |
| Kroger | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| McLane | 22.09% | 27.54% | 31.23% | 0.00% | 0.00% |
| Meijer | 48.02% | 57.48% | 80.71% | 65.45% | 42.66% |
| Rite-Aid | 45.13% | 44.78% | 49.65% | 43.78% | 52.02% |
| Supervalu | 79.14% | 70.03% | 0.00% | 0.00% | 0.00% |
| Walgreens | 0.00% | 42.34% | 89.53% | 99.86% | 90.24% |

Percentage of 4 Product sales to total product sales for certain customers.

Wal-Mart sales were negligible during these time periods.

(Source : Items Sold to Customers reports from Peachtree)

| | | | | | |
|-----------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Albertsons | \$ 12,732.25 | \$ 9,762.71 | \$ 4,105.02 | \$ 3,707.75 | \$ 1,341.80 |
| Cardinal Health | 34,981.04 | 82,322.47 | 27,550.08 | 8,809.93 | 3,888.96 |
| CVS | 1,313,002.49 | 1,841,879.36 | 828,955.07 | 426,035.07 | |
| GNC | 409,231.59 | 336,916.00 | 329,292.68 | 233,683.42 | 227,852.38 |
| Kmart | 16,545.35 | 77,246.37 | 161,679.96 | 46,778.10 | |
| Kroger | 86,718.84 | 53,455.96 | 40,617.88 | 83,602.66 | 73,244.97 |
| McLane | 4,932.85 | 9,050.48 | 29,956.88 | | |
| Meijer | 35,377.48 | 27,459.97 | 30,048.87 | 14,549.36 | 82,620.48 |
| Rite-Aid | 201,074.07 | 806,395.02 | 648,461.54 | 363,013.32 | 1,783,373.43 |
| Supervalu | | | | | 19,024.24 |
| Walgreens | | 259,538.61 | 941,082.56 | 298,117.40 | 1,060.20 |
| Total | <u>\$2,114,595.96</u> | <u>\$3,504,026.95</u> | <u>\$3,041,750.54</u> | <u>\$1,478,297.01</u> | <u>\$2,192,406.46</u> |

(Source : Customer discounts and deductions worksheets from customer check remittances)

Hi-Tech Pharmaceuticals, Inc
Customer Remittance Deductions from Four Products

Table 2-2

| Customer | FTC Relevant Period | | | | |
|--|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | Jan 1 to Aug 31, 2013 | Jan 1 to Dec 31, 2012 | Jan 1 to Dec 31, 2011 | Jan 1 to Dec 31, 2010 | Jan 1 to Dec 31, 2009 |
| Discounts and deductions multiplied by percentage | | | | | |
| Albertsons | \$ 6,991.28 | \$ 5,790.26 | \$ 2,881.72 | \$ 2,125.65 | \$ - |
| Cardinal Health | 31,189.10 | 74,757.04 | 27,191.93 | 8,571.18 | 3,888.96 |
| CVS | 473,074.80 | 759,038.48 | 457,500.30 | 294,347.63 | - |
| GNC | 491.08 | 68,124.42 | 146,074.23 | 164,139.23 | 182,418.62 |
| Kmart | 9,664.14 | 43,072.58 | 78,059.08 | 46,778.10 | - |
| Kroger | - | - | - | - | - |
| McLane | 1,089.67 | 2,492.50 | 9,355.53 | - | - |
| Meijer | 16,988.27 | 15,783.99 | 24,252.44 | 9,522.56 | 35,245.90 |
| Rite-Aid | 90,744.73 | 361,103.69 | 321,961.15 | 158,927.23 | 927,710.86 |
| Supervalu | - | - | - | - | - |
| Walgreens | - | 109,888.65 | 842,551.22 | 297,700.04 | 956.72 |
| Total | <u>\$630,233.05</u> | <u>\$1,440,051.60</u> | <u>\$1,909,827.62</u> | <u>\$982,111.62</u> | <u>\$1,150,221.05</u> |

Hi-Tech Pharmaceuticals, Inc.

Table 2-3

Food, Drug & Mass: Payments to Brokers and Mike & Steve Smith

| | FTC Relevant Period | | | | | Total |
|-------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------|
| | Jan 1 to Aug 31, 2013 | Jan 1 to Dec 31, 2012 | Jan 1 to Dec 31, 2011 | Jan 1 to Dec 31, 2010 | Jan 1 to Dec 31, 2009 | |
| Payments to Brokers | \$97,030 | \$163,743 | \$223,777 | \$78,584 | \$91,492 | \$654,626 |
| Payments to Mike Smith | \$58,078 | \$88,398 | \$82,417 | \$98,127 | \$120,000 | \$447,020 |
| Payments to Steve Smith | \$160,000 | \$375,000 | \$150,000 | \$144,242 | \$160,000 | \$989,242 |
| Total | <u>\$315,108</u> | <u>\$627,141</u> | <u>\$456,194</u> | <u>\$320,953</u> | <u>\$371,492</u> | <u>\$2,090,888</u> |

Source of Broker payments: Forms 1099 prepared by Claude H. Estes + Company, P.C., CPA and Hi-Tech payment schedules to brokers. Broker payments were multiplied by the percentage of sales of the Four Products sold by brokers to customers as determined at Table 2-2.

Source of Smith payments: Forms 1099 prepared by Claude H. Estes + Company, P.C., CPA and Hi-Tech payments to date for 2013.

Hi-Tech Pharmaceuticals, Inc.
Cost of Goods Sold as Percentage of Billings

Table 3

| | | 2009 | 2010 | 2011 | 2012 | YTD 06/30/13 | |
|--|---|---|--------------------------|---------------------|---------------------|---------------------|---------------------|
| All Products Billings | (From Invoice Register) | \$ 21,292,408 | \$ 16,299,320 | \$ 41,806,890 | \$ 45,208,240 | \$ 23,281,681 | |
| Cost of Sales | | | | | | | |
| Purchases | (From Tax Returns / Fin Stmts) | 8,708,259 | 7,905,024 | 20,347,063 | 21,658,900 | 8,141,906 | |
| Postage / Shipping | (From Financial Statements) | 688,202 | 619,463 | 1,439,881 | 1,265,517 | 581,122 | |
| Testing | (From Financial Statements) | 41,980 | 33,108 | 29,513 | 29,523 | 21,862 | |
| Production Labor (Estimate) | (See Below) | <u>1,743,011</u> | <u>644,604</u> | <u>1,346,757</u> | <u>2,109,951</u> | <u>1,237,544</u> | |
| Total Cost of Sales | | 11,181,452 | 9,202,199 | 23,163,214 | 25,063,891 | 9,982,434 | |
| Cost of Sales % | | 52.5% | 56.5% | 55.4% | 55.4% | 42.9% | |
| Estimated Production Labor Costs | | 2009 | 2010 | 2011 | 2012 | YTD 6/2013 | 2011- 6/2013 |
| Total Company Wide Labor Related Costs (Except Owner) | | | | | | | |
| Contract Labor | (From Stmt of Operations) | 3,928,150 | 1,350,365 | 2,751,468 | 3,991,300 | 2,624,152 | 9,366,921 |
| SGA Labor | (From Stmt of Operations) | - | 93,638 | 355,980 | 501,899 | 246,843 | 1,104,722 |
| SGA Taxes | (From Stmt of Operations) | - | 8,714 | 31,494 | 53,076 | 23,025 | 107,594 |
| Total Non Owner Labor Costs | | <u>3,928,150</u> | <u>1,452,716</u> | <u>3,138,942</u> | <u>4,546,275</u> | <u>2,894,020</u> | <u>10,579,236</u> |
| | | BASED ON 2011, 2012 AND YTD 2013 %'S | | Actual | Actual | Actual | 2011- 6/2013 |
| Production Labor | | | | | | | |
| Contract Labor - | (From Summary of Total Production Labor) | 1,743,011 44.37% | 644,604 44.37% | 1,346,757 42.90% | 2,109,951 46.41% | 1,237,544 42.76% | 4,694,252 44.37% |

Source: Hi-Tech Statements of Operations & Tax Returns (prepared by Claude H. Estes + Company, P.C., CPA)

Cost of Goods Sold as a Percentage of Billings

Because customer net collections lag purchases (i.e., purchases occur prior to sales and collections lag sales), we determined Costs of Goods Sold as a percentage of annual billings for all products, instead of as a percentage of revenue (collections per tax returns) for all products. This more closely matches purchases with related sales, and avoids comparing higher purchase costs with lower collected revenues

Allocation of Production Labor Costs for 2009 and 2010

We allocated production labor for 2009 and 2010 because separate production labor costs were not available for these years. Instead, these costs are estimated based upon the percentage of production labor costs to total company-wide labor costs for the period 2011-2013. The average percentage of production labor to total labor costs, for these periods, 44.37%, was applied to total labor costs for 2009 and 2010, as shown above.

Hi-Tech Pharmaceuticals, Inc.
Selling General & Administrative Expenses to be Allocated

Table 4

| | | 2009 | 2010 | 2011 | 2012 | YTD 06/30/13 | 2011- 6/2013 |
|----------------------------|---------------------------|--|---------------|---------------|---------------|-----------------|--------------|
| All Products Billings | (From Invoice Register) | \$ 21,292,408 | \$ 16,299,320 | \$ 41,806,890 | \$ 45,208,240 | \$ 23,281,681 | 110,296,811 |
| Allocated SG&A | | | | | | | |
| | | BASED ON 2011, 12, & YTD 13 %'S | | | | | |
| Non Production Labor | (From Stmt of Operations) | 234,033 | 179,152 | 387,474 | 554,974 | 269,868 | 1,212,316 |
| | - See Note | 1.1% | 1.1% | 0.9% | 1.2% | 1.2% | 1.1% |
| Bank Charges | (From Stmt of Operations) | 8,756 | 9,200 | 23,354 | 15,622 | 13,380 | |
| Conferences & Meetings | (From Stmt of Operations) | - | - | 14,500 | - | - | |
| Consulting Fees | (From Stmt of Operations) | 106,454 | 55,000 | 45,000 | 143,309 | 2,406 | |
| Credit Card Fees | (From Stmt of Operations) | 141,323 | 156,825 | 222,275 | 224,365 | 112,457 | |
| Insurance | (From Stmt of Operations) | 102,100 | 207,426 | 213,177 | 263,793 | 147,483 | |
| Internet Service / Website | (From Stmt of Operations) | 10,249 | 24,701 | 12,815 | 15,940 | 16,676 | |
| Office Supplies & Expense | (From Stmt of Operations) | 29,073 | 19,129 | 28,472 | 34,530 | 12,215 | |
| Pest Control | (From Stmt of Operations) | 420 | 2,312 | 3,124 | 8,604 | 3,350 | |
| Printing | (From Stmt of Operations) | 134,498 | 97,740 | 185,603 | 516,103 | 218,586 | |
| Rent | (From Stmt of Operations) | 338,047 | 369,621 | 557,334 | 771,291 | 368,543 | |
| Repairs & Maintenance | (From Stmt of Operations) | 287,706 | 207,993 | 127,298 | 363,537 | 264,753 | |
| Security | (From Stmt of Operations) | 2,784 | 3,426 | 4,040 | 11,633 | 2,212 | |
| Shared Expenses | (From Stmt of Operations) | 73,500 | 55,000 | - | - | - | |
| Supplies | (From Stmt of Operations) | 28,866 | 29,481 | 100,199 | 120,049 | 30,603 | |
| Telephone | (From Stmt of Operations) | 50,004 | 47,702 | 50,142 | 48,789 | 18,528 | |
| Travel Expense | (From Stmt of Operations) | 33,202 | 26,318 | 61,781 | 101,817 | 24,776 | |
| Trade Shows | (From Stmt of Operations) | 43,460 | 45,850 | 48,970 | 97,313 | 64,991 | |
| Uniforms | (From Stmt of Operations) | 11,565 | 13,929 | 23,293 | 32,293 | 28,890 | |
| Utilities | (From Stmt of Operations) | 71,332 | 92,455 | 156,416 | 194,080 | 89,573 | |
| Waste Disposal | (From Stmt of Operations) | 5,860 | 2,126 | 5,761 | 9,601 | 10,709 | |
| Total SG&A | | 1,713,232 | 1,645,385 | 2,271,028 | 3,527,643 | 1,699,999 | |
| As a % of Net Billings | | 8.0% | 10.1% | 5.4% | 7.8% | 7.3% | |

Source: Hi-Tech Statements of Operations (prepared by Claude H. Estes + Company, P.C., CPA)

Note: In 2009 and 2010 SGA Labor for regular Salary, Wages was not shown separately from other labor costs on the financial statement or tax returns. Therefore, we applied the prevailing percentage for the period 2011 to June 2013 of SGA (Wages and Payroll Taxes) for non-owner costs, 1.1%, to the years 2009 and 2010 to derive non-production, non-owner labor costs to include in the allocation of selling, general & administrative costs.

Hi-Tech Pharmaceuticals, Inc.**Table 5****Summary of Advertising Costs for Four Products**

| | 12 Mos 2009 | YTD 08/31/10 | 12 Mos. 2010 | 4 Mos. 9/1/10 - 12/31/10 | 12 Mos. 2011 | YTD 5/31/2012 | YTD 9/30/2012 | 12 Mos. 2012 | YTD 5/31/2013 | YTD 06/30/13 |
|--|----------------|-----------------|------------------|--------------------------------|--------------------|--------------------|--------------------|--------------------|------------------|-----------------|
| Total Advertising & Promotion | \$823,823 | \$310,706 | \$1,344,170 | \$1,033,464 | \$4,589,097 | \$1,527,991 | \$1,753,359 | \$2,033,030 | \$523,412 | \$556,382 |
| Fastin Advertising by Year | \$0 | \$0 | \$140,231 | \$140,231 | \$2,676,933 | \$877,408 | \$877,408 | \$877,408 | \$0 | \$0 |
| - Source Weight Loss Products Ad Spend | | | | | | | | | | |
| Lipodrene Advertising / Multi Products | | | | | | | | | | |
| Flex Magazine | \$0 | \$0 | \$0 | \$0 | \$0 | \$37,000 | \$112,500 | \$112,500 | \$0 | \$0 |
| MuscleMag | \$0 | \$0 | \$0 | \$0 | \$0 | \$35,200 | \$35,200 | \$35,200 | \$0 | \$0 |
| Muscular Develop | \$0 | \$0 | \$0 | \$0 | \$0 | \$18,000 | \$30,000 | \$30,000 | \$0 | \$0 |
| Muscle & Fitness (Estimated) | \$0 | \$0 | \$0 | \$0 | \$0 | \$52,499 | \$103,427 | \$103,427 | \$0 | \$0 |
| Total Advertising- Four Products | \$0 | \$0 | \$140,231 | \$140,231 | \$2,676,933 | \$1,020,107 | \$1,158,535 | \$1,158,535 | \$0 | \$0 |
| Unrelated Advertising & Promotion | \$823,823 | \$310,706 | \$1,203,939 | \$893,233 | \$1,912,164 | \$507,884 | \$594,824 | \$874,495 | \$523,412 | \$556,382 |

Note: Advertising - Four Products for the period June 1, 2012 through September 30, 2012 is the difference between YTD 9-30-12 and YTD 5-31-12, \$138,428.

Source: Hi-Tech magazine ad spend schedules and schedules of payments to magazines and publications.

Source: Hi-Tech Statements of Operations (prepared by Claude H. Estes + Company, P.C., CPA)